

Metra Written Testimony - Finance Committee 10/2/2013 9:30 am

Please note: This does not represent a verbatim copy of Metra's spoken testimony

1. What is your view on how the region currently funds transit in terms of both process and overall funding levels?

For ease of discussion, the region's funding sources should be divided into capital and operating.

Capital funding for the region comes from four sources

- The RTA (Discretionary, Bonds, New initiatives)
- Federal funds (Formula, ARRA, New Start, CMAQ, homeland Security, TIGGER, other grant programs)
- The State of Illinois through debt and IDOT grants (IDOT Grants and Bonds)
- Municipal funds/pass through funds

These funds, when available, are distributed through formulas which are generally considered reasonable. (not always formula based, some funds are through competitive grant programs)

There are not enough of these funds. Long term, funding is probably about 20% of what it needs to be.

The effectiveness of these funds would be improved if they were stable and dedicated over a rolling 10 year period.

Operating funding comes from sales taxes levied in the six county region.

The distribution of this funding is largely formulaic and that part administratively works well.

Some of the funding, commonly known as the "discretionary fund" is allocated through non-formula means, and that needs to be looked at. We should try to arrive at a formula which is not contentious and provides for regional equity. Too much time and energy is presently spent on competing for these funds.

Metra believes discretionary funding should be allocated in a fashion which ensures each region gets a share representative of the portion of regional taxes it paid. Metra would like to immediately begin participating in this discretionary funding, beginning with a share of the recent growth in the fund with a gradual "grow in" to an equitable situation.

2. Please define in detail all of your available funding resources (including local revenue sources) for both operating and capital.

Capital Funds

2013 Budget Capital Program

| | |
|-------------------------|----------|
| Federal formula (5337) | \$ 76.2m |
| Federal formula (5307) | \$ 79.1m |
| Federal New Freedoms | \$.3m |
| Homeland Security | \$ 5.0m |
| RTA Capital Reserves | \$ 7.0m |
| Illinois Jobs Now Bonds | \$106.0m |
| Metra Farebox Capital | \$ 5.5m |
| Total Program | \$279.1m |

Operating funds

Tax revenues
Fare revenues
Advertising revenues
Trackage fees and other leases
Billable work

3. Do the available funding sources adequately fund your current and projected capital and operating needs? If not, please describe your current and projected shortfall.

The available operating funding sources fund our service as currently operated.

There is considerable desire from several communities to either have more service (i.e. more frequent trains) or to have service extended to them (i.e. new lines). This will not be a reality without capital to fund the infrastructure and/or further funding to subsidize the service.

Available funding sources fall far short of funding current capital needs. We have approximately \$9.7 billion in capital needs over the next 10 years with only about 20% of that funding reasonably forecastable.

4. Assuming no changes in current funding levels what steps will you take to address projected deficits in operating and capital budgets?

The budget will be balanced, we will not spend more than we bring in. However, a balanced budget should not be confused with funding adequacy.

To the extent funding is insufficient to meet capital needs, the backlog will increase.

To the extent funding is insufficient to meet operating needs, the board will have to make policy decisions to find offsets.

5. Do you think that the allocation formula appropriately apportions available funds? What changes, if any would you make to the existing formula and why?

The allocation formula apportions those funds which are distributed by formula reasonably appropriately. As noted in a previous response, Metra believes funds not presently distributed by formula (specifically Discretionary funds) should be distributed formulaically on a basis which provides for regional equity. This can be done by the RTA and does not require legislative action.

6. Assuming no increase in the amount funding coming from the State, please discuss any changes in the current statute that in your opinion, could positively impact funding resources available to the region.

What the region really needs is more money.

In terms of either freshening formulas or distributing money formulaically, please refer to the comments just made.

7. The current allocation format is very complicated and difficult for the general public to understand, how would you go about simplifying it?

Two comments on this question.

First, effectiveness should be used as the basis for judging a statute, not complexity. In other words, an complex statute is not inherently bad, as long as it is effective.

Second, Metra disagrees with the implication that the formula is complicated. Granted, the statute isn't an easy read, but that is more because of a need to phrase legislation in an unambiguous fashion than due to any inherent complexity. The formulas themselves are actually relatively simple. The formulas themselves cause us no problems. Where we run into trouble is the place where there isn't a formula, i.e. the discretionary money.

Metra does not recommend changing the legislation. However, if that process was to be undertaken, we believe the first step should be for the Illinois State Assembly to reaffirm what the goals of its funding allocation formulas are (or change them if desired) with a clear statement of what regional equity means and how it would be achieved. Then and only then would we start engineering a solution.

8. If you had a blank slate, how would you allocate funds and why? What prevents that from happening now? What issues would that raise and how would you address them?

The best way to allocate funds is in the manner that best serves the entire region. The proper path is to study the region's needs and determine what the goals of a funding strategy are.

The RTA is in the process of studying that right now, we don't profess to have that answer at this time.

Once those needs are determined and the goals of a funding strategy agreed upon, then we could get into the mechanics of actually allocating the funds.

If the answer is deemed to be something which would create a dramatic change in the funding of one or more service boards, this will likely prove unpalatable to whomever ends up with less, rendering a consensus impossible.